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C O N F I D E N T I A L SECTION 01 OF 02 BUCHAREST 000306

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SUBJECT: ROMANIA: IRAN GAS AND TURKISH TAKE-OFF DEMANDS ARE
STICKING POINTS FOR NABUCCO ISA

REF: BUCHAREST 147

Classified By: Charge d'Affaires a.i. Jeri Guthrie-Corn for reasons 1.4
(b) and (d).

11. (U) This is an action request; please see paragraph 5.

12. (C) Romanian Ministry of Foreign Affairs (MFA) Director General and lead Nabucco negotiator, Calin Stoica, summoned EconCoun and EconOff to the MFA on May 5 to provide a readout on the latest round of Nabucco Inter-State Agreement (ISA) negotiations and to discuss the key sticking points for Romania. (Note: Stoica specified that Romania is now calling this an ISA because it has been elevated beyond an inter-governmental agreement to the level of a state agreement requiring formal presidential approval. End note.) According to Stoica, the most recent round of talks was a big disappointment and had put in jeopardy the goal of concluding and signing the ISA by the end of June. Main points which need to be resolved are language defining the gas entry points into Nabucco and a renewed Turkish proposal to establish gas "lift-off" provisions, among other Turkish reservations to the draft text.

13. (C) With regard to the "lift-off" proposal, Stoica said everyone was stunned when Turkey put this back on the table at such a late date when the Turks themselves had advised they were withdrawing it way back in January. Guaranteeing Turkey a supply of gas to be lifted off at the border at "cost reflective" (defined as European netback) prices is a "non-starter" for Romania and the rest of the consortium, Stoica said, and it is not clear how hard the Turks will push the concept when talks resume. Stoica opined that it reflects serious divisions within the Turkish Government (especially between the Ministries of Foreign Affairs and Energy), as well as an effort by Turkey to see how much the other partners would be willing to cede at the last minute in order to avoid missing the politically sensitive, publicly announced end-of-June target. He added that after reintroducing the proposal, the Turkish official left the discussions and it remained unclear whether this was again a formal Turkish position or simply more posturing by their Energy Ministry.

14. (C) Stoica's main reason in engaging post, however, appears to be concern over U.S. policy on the role Iran should play in the Nabucco project, which post first reported on in early March (reftel). Stoica stressed to Emboffs that Romania is the only participant in the talks which has voiced objections to the inclusion in the ISA of specific reference to a Turkey-Iran border entry point for gas. In the last negotiating round, both Turkey and Hungary argued that the Nabucco ISA should include references to entry points on the

Turkish-Georgian and Turkish-Iranian borders. Romania's counterproposal is that only the Turkish-Georgian entry point be specifically referenced for the first phase of Nabucco, but that the ISA allow generally for "any additional entry points on the eastern border of Turkey that the states parties should agree to" in the second phase of the project. According to Stoica, however, this appears to have little support from other delegations. If they reject it, Romania's fallback proposal will be to remove all references to specific entry points, thereby sidestepping the whole Iranian question. Since President Basescu will personally have to approve the final ISA text, any explicit reference to Iran is problematic for Romania at present, even though Romania in principle does not object to the long-term possibility of Iranian gas entering Nabucco, Stoica said.

15. (C) Comment and Action Request: Stoica appeared worried that Romania is isolated within the ISA talks on the question of an Iranian entry point. While Turkey's obstructionism and waffling is at the moment the bigger roadblock, if Turkish issues are resolved then Romania will face the very difficult decision of whether to hold up the ISA train over reference to Iran. In calling us in, Stoica seemed to be seeking confirmation that Romania at least had U.S. support for playing hardball, since Romania's lone opposition would likely be met with intense pressure from other partners to go along. (Stoica speculated that the Turks would be "delighted" to be able to paint Romania as the foot-dragger, deflecting blame from themselves.) Stoica said he had been pulled aside at the talks by the chief Bulgarian delegate, who insisted that the U.S. delegation to the recent Sofia energy conference had taken a "more conciliatory" posture on

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the question of Iran and suggested that therefore Romania's position is inconsistent with, or at least harder-edged, than U.S. views. Stoica concluded that, in the end, Romania is unlikely to hold up the ISA on this point unless Washington is willing to reinforce with other Nabucco partners that specific references to Iran are unacceptable. ACTION REQUEST: Post requests Department's views on explicit reference to an Iranian entry point in the Nabucco ISA and suggested guidance on responding to the Romanian MFA. End comment and action request.
GUTHRIE-CORN